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ADOPTION TAX CREDIT REFUNDABILITY ACT OF 2025

**TO CO-SPONSOR
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The Adoption Tax Credit helps children find permanent families by offsetting some of the costs of adoption, especially for children with special needs. The benefit is allowed once per adoption and includes a credit for qualified adoption expenses that can be taken over 6 years. In 2024, the maximum credit was \$16,810, with income phase outs between \$252,151 to \$292,150. The credit and phase-outs are indexed to inflation.

Currently, the tax credit disadvantages low- and middle-income families, in particular families with annual incomes between \$30,000 and \$50,000. In 2022, families earning between \$0-\$40,000 received essentially no credit; families earning between \$40-\$50,000 on average used \$1,674 in 1 year (\$10,044 over 6 years); families earning between \$50-\$75,000 on average used \$2,386 in 1 year (\$14,316 over 6 years). In contrast, families earning between \$100,000-\$200,000 on average used \$8,236 a year (or \$16,472 in 2 years). This inequity is problematic given that approximately half of youth adopted from foster care live in families with incomes at or below 200% of the federal poverty level. Thus, the credit inadvertently creates barriers to permanency for a substantial number of families and for youth exiting care.

During the Great Recession, Congress made the Adoption Tax Credit refundable, recognizing that the economic hardship could prevent families or exact a heavy financial toll from choosing adoption. *The Adoption Tax Credit Refundability Act* would make the current tax credit fully refundable, as it was in 2010 and 2011. The bill improves current law so that more families can benefit and more waiting children can be adopted. Compared to youth who remain in foster care, adopted children experience much greater economic and social well-being. Additionally, families who adopt from foster care save the federal government thousands of dollars by getting children out of costly foster care and into permanent adoptive families. For each child adopted from foster care, research shows that approximately \$65,000-\$127,000 is saved. The bill also improves credit oversight by, when needed, having the IRS use a standardized third-party affidavit to verify the adoption, easing burdens on families and the IRS. The bill reflects common-sense federal policy—it strengthens families, removes income as a barrier to adoption, and helps vulnerable children join permanent, loving families.

The Adoption Tax Credit Refundability Act of 2025 is championed in the Senate by Senators Kevin Cramer (R-ND) and Amy Klobuchar (D-MN) and is supported by 93 state, local, and national organizations (see reverse for list).

A Love Beyond Borders, dba Adoption Home Studies of Colorado
 Academy of Adoption & Assisted Reproduction Attorneys (AAAA)
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 RESOLVE: The National Infertility Association
 Shepherd Care Ministries, Inc. d/b/a Adoption by Shepherd Care
 Show Hope
 Small World Adoption Agency
 Spaulding for Children
 Spence-Chapin Services to Families and Children
 St. Elizabeth Foundation
 St. Nick's Kids, Inc
 Susan B. Anthony Pro-Life America
 Susan Meisel Levin, PA
 The Barker Adoption Foundation
 The Children's Service Society of Utah Adoption Program
 The Cradle
 Transitions Adoption Agency
 U.S. Conference of Catholic Bishops - Committee on Domestic Justice and Human Development
 United for Adoption
 Unplanned Good Inc.
 Voice for Adoption
 Wasatch International Adoptions
 Wide Horizons For Children
 World Links Association Inc
 Youth Villages